

The following are the provisions of Mortgagee Letter 2014-25 that will be incorporated into the 4000.1 FHA Single Family Housing Policy Handbook, issued September 30, 2014, as shown at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1).

**II. TITLE II INSURED HOUSING PROGRAMS FORWARD MORTGAGES**  
**2. Allowable Mortgage Parameters**

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**THE FOLLOWING HIGHLIGHTED LANGUAGE WILL BE INCORPORATED INTO 4000.1 ON JUNE 15, 2015.**

**i. National Housing Act's Statutory Limits**

The National Housing Act establishes the maximum loan limits and the mortgage amounts for all FHA mortgage insurance programs.

**ii. Nationwide Mortgage Limits**

Mortgage limits are calculated based on the median house prices in accordance with the statute. FHA's Single Family mortgage limits are set by Metropolitan Statistical Area and county and will be published periodically. FHA's Single Family mortgage limits are available [by MSA and county](#), or by [downloading a complete listing](#). **FHA publishes updated limits effective for each calendar year.**

These limits will be set at or between the low cost area and high cost area limits based on the median house prices for the area.

**(A) Requests for Local Increases**

**Any requests to change high-cost-area loan limits determined by HUD must be received by FHA's Santa Ana Homeownership Center at the address below no later than 30 days from the publication of the limits each year.. Any changes in area loan limits as a result of valid appeals will be retroactively in effect for case numbers assigned on or after January 1 of each year.**

**Each request to change loan limits must contain sufficient housing sales price data, listing one-family properties sold in an area within the look-back period, January through August of the previous year. Requests should differentiate between single-family residential properties and condominiums or cooperative housing units. Ideally, data provided should also distinguish between distress and non-distress sales.**

**Requests for a change will only be considered for counties for which HUD does not already have home sales transaction data for the calculation of loan limits.**

**All requests for local area increases will be handled exclusively by FHA's Santa Ana Homeownership Center:**

**Attn: Program Support/Loan Limits  
U.S. Department of Housing and Urban Development  
Santa Ana Homeownership Center  
Santa Ana Federal Building  
34 Civic Center Plaza, Room 7015  
Santa Ana, CA 92701-4003**

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#### **(B) Low Cost Area**

The FHA national low cost area mortgage limits, which are currently set at 65 percent of the national conforming limit of \$417,000 for a one-unit property, are, by property unit number, as follows:

- One-unit: \$271,050
- Two-unit: \$347,000
- Three-unit: \$419,425
- Four-unit: \$521,250

#### **(C) High Cost Area**

For areas designated as high cost areas, the maximum FHA-insured mortgage limits (ceiling) by property unit number are as follows:

- One-unit: \$ 625,500
- Two-unit: \$ 800,775
- Three-unit: \$ 967,950
- Four-unit: \$ 1,202,925

#### **(D) Special Exceptions for Alaska, Hawaii, Guam, and the Virgin Islands**

Mortgage limits for the special exception areas of Alaska (AK), Hawaii (HI), Guam (GU) and the Virgin Islands (VI) are adjusted by FHA to account for higher costs of construction. These four special exception areas have a higher ceiling as follows:

- One-unit: \$938,250
- Two-unit: \$1,201,150
- Three-unit: \$1,451,925
- Four-unit: \$1,804,375

### **iii. Financing of Upfront Mortgage Insurance Premium**

Unless otherwise stated in this section (Origination through Post Closing/Endorsement), restrictions to mortgage amounts and LTVs are based upon the amount prior to the financing of the Upfront Mortgage Insurance Premium (UFMIP) (Base Loan Amount). The total mortgage amount may be increased by the financed UFMIP amount.

### **iv. Calculating Maximum Mortgage Amounts on Purchases**

The maximum mortgage amount that FHA will insure on a specific purchase is calculated by multiplying the appropriate LTV percentage by the Adjusted Value.

In order for FHA to insure this maximum mortgage amount, the Borrower must make a Minimum Required Investment (MRI) of at least 3.5 percent of the Adjusted Value.

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#### **v. Additions to the Mortgage Amount for Repair and Improvement**

##### **(A) Appraiser Required Repairs**

A mortgagee may add repair costs to the sales price before calculating the mortgage amount if:

- the repairs are required by the appraiser to meet HUD's MPR;
- the repairs are paid for by the Borrower; and
- the sales contract or addendum identifies the Borrower as the party responsible for payment and completion of the repairs.